

6- AUG 1956

MEMORANDUM FOR: Admiral W. S. DeLany
Deputy Director
Mutual Defense Assistance Control
Washington 25, D. C.

SUBJECT: Comments on First Draft of Eighth Battle Act Report

1. A few of my people have reviewed the first draft of the Eighth Battle Act Report issued on 19 July 1956. I am forwarding their comments for such use as you may deem appropriate. As in the past, our attention has been directed only to statements relating to the Sino-Soviet Bloc economic activities.

2. With reference to Chapter I, the following suggestions are provided:

a. Page I-2, last line. Revise to read: "... with imports from the U.S.S.R. showing the greatest absolute increase and from Communist China next, ..."

b. Page I-3, lines 12-13. Since Communist China is within the Sino-Soviet Bloc, the sentence referring to it should be changed to read: "Communist China, as a single country of the Bloc, had a similar distribution of trade."

c. Page I-4, line 6. Our information indicates a somewhat higher figure than \$486 million. We, therefore, suggest changing the last phrase to read: "... , or by almost \$500 million."

d. Page I-4, With reference to the effect of the August 1954 revision of controls, we from the intelligence point of view would not be in a position to document the extent to which the August 1954 revision was responsible for the increased exports to the Bloc.

e. Page I-4, first paragraph under Western European Trade. The first sentence might be misleading and the following rewording is suggested: "... was the major non-Bloc trading area in the foreign commerce of ..." As you know, each of the Eastern European countries conducts more foreign commerce with other countries of the Bloc than with Western Europe.

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f. Page I-5, line 17. It is felt that the phrase "dwindled to the vanishing point" overstates the decline, and that it would be better to say "were greatly reduced in 1955."

g. Page I-6, line 3. Our information indicates that [REDACTED] increase was \$31 million rather than \$35 million.

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h. Page I-8, With reference to the paragraph on Communist China's Trade with the Free World, the suggestion was made that it would be more appropriate to refer to CHINCOM countries than to refer to members of OEEC in the context of this Report.

i. Page I-9, lines 7-8. Our information indicates that the amounts of the trade for the two countries have been transposed.

j. Page I-10. The suggestion has been made that the Czech and Polish credits to Yugoslavia might also be included. The information regarding these credits is as follows:

<u>Grantor</u>	<u>Date</u>	<u>Value</u>	<u>Utilization</u>
Poland	November 1955	\$20 million	To cover delivery of equipment for food processing and mining industries and rolling stock
Czechoslovakia	February 1956	\$75 million	2/3 to be used for purchase of investment goods; 1/3 for consumer goods and industrial products

3. With reference to Chapter III, the following suggestions are provided:

a. Page III-1, third line from bottom. Because of uncertainty regarding the exact size of expenditures, it is suggested that "approximately" be added before \$38 million.

b. Page III-2, line 10. For clarity, add "in Western Europe" before "in 1955..."

c. Page III-4, line 10. Insert "and expansion" after "normalization..."

d. Page III-6, line 3. Substitute "may have been" for "were..."

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e. Page III-6, paragraph 3. It might be helpful in this paragraph to point out that the number of fairs in which Communist China participated rose from 3 in 1954 to 24 in 1955.

f. Page III-6, line 12. Insert "apparently" before "being developed..."

g. Page III-7, line 6. Insert "in the Free World" before "in 1955..."

h. Page III-8, lines 14-15. Deletion of the last phrase "not specifically connected with any international trade fair" is suggested since its meaning is not clear. We are not aware of any general limitations on the types of industrial goods that can be shown at international trade fairs.

i. Page III-9, lines 9-11. Although we have not checked, my people feel that a rather large number of brochures were obtained through collection at this fair. However, the statement may be entirely valid.

j. Page III-9, last paragraph. Again, since the size of the exhibit was reported to be 4,000 square meters, my people wonder if the term "half-hearted" is valid.

k. Page III-10, line 16. Insert "of 1955" after "Poznan Fair."

4. With reference to Chapter IV, the following suggestions are provided:

a. Page IV-2, line 9. The term "base" would seem preferable to "stockpile."

b. Page IV-3, line 13. Suggest the replacement of "almost regardless of the domestic situation" by the phrase "owing to the relatively greater freedom of action of their authoritarian regime." We feel that the statement even so is somewhat categorical. With the changes in leadership and the obvious necessity for greater incentives, attention must be paid to the internal political-economic situation by the Soviet leaders.

c. Page IV-4, lines 13-14. Suggest rewording to read: "for which world market prices were weak and stocks were large, and which therefore could not be absorbed by the Free World."

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d. Page IV-5, third line of paragraph 2. Since we have secret information that indicates that 68 agreements is low, we suggest inclusion of "known" before "agreements..."

e. Page IV-6, last line. Insert "latter" before "category" in order to clarify.

f. Page IV-8, line 3. Insert "in some instances" before "appeared..." We feel that the statement without this qualification is too misleading.

g. Page IV-12, I am sure that you realize that the section on the Aswan Dam project should be carefully reviewed because of current developments.



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